

Message Text

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ORIGIN EUR-25

INFO OCT-01 AF-10 ARA-16 EA-11 NEA-10 RSC-01 IO-13 AGR-20

CEA-02 CIAE-00 COME-00 DODE-00 EB-11 FRB-02 H-03

INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-03 AID-20

CIEP-02 SS-15 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

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TO USMISSION OECD PARIS

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

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AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

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AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
AMEMBASSY VIENNA
USMISSION EC BRUSSELS
USMISSION GENEVA

UNCLAS STATE 156969

E.O.11652

TAGS: EAGR, ETRD, OECD

SUBJECT: U.S. EXPORT CONTROLS: OECD TRADE COMMITTEE (TC)
NOTIFICATION AND CONSULTATIONS.

REF: (A) OECD 18661;
(B) STATE 141394;
(C) STATE 126473;
(D) STATE 129600,136432, 148397;
(E) STATE 129581;
(F) STATE 129683;
(G) STATE 133337;
(H) STATE 131357;
(I) STATE 143291;
(J) STATE 137862;
(K) OECD 19847;
(L) OECD 19129
(M) STATE A-6459 (N)STATE 148790 (O) STATE 151108

1. IN RESPONSE TO EC REQUEST AT JULY MEETING OF EXECUTIVE
COMMITTEE IN SPECIAL SESSION (XCSS) FOR COMPREHENSIVE
NOTIFICATION TO TRADE COMMITTEE RE U.S. EXPORT CONTROLS ON
CERTAIN AGRICULTURAL COMMODITIES AND STEEL SCRAP, MISSION
IS AUTHORIZED TO SUBMIT STATEMENT CONTAINED IN PARA 2 PLUS
BACKGROUND INFORMATION PROVIDED IN REFERENCES (A) THROUGH(O)

WHICH ARE AS FOLLOWS:
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(A) STATEMENT BY UNDER SECRETARY CASEY AT JULY XCSS GIVING
RATIONALE FOR IMPOSITION OF CONTROLS;

(B) EXTRACT OF PRESIDENT'S MESSAGE ON PHASE IV ECONOMIC
STABILIZATION PROGRAM (PARAGRAPH 1 ONLY);

(C) INITIAL ANNOUNCEMENT OF EXPORT EMBARGO ON SOYBEANS
AND COTTONSEEDS AND THEIR BYPRODUCTS;

(D) ANNOUNCEMENTS OF CONTROLS ON U.S. FERROUS SCRAP
EXPORTS;

(E) DESCRIPTION OF EXPORT CONTROL SYSTEM ON SOYBEANS,
SOYBEAN MEAL, COTTONSEED AND COTTONSEED MEAL;

(F) BACKGROUND INFORMATION ON EXPORT CONTROL SYSTEM;

(G) EXPLANATION OF IMPORTER AFFIDAVIT REQUIREMENTS FOR SOYBEANS AND PRODUCTS UNDER CONTROLS;

(H) ANNOUNCEMENT OF ADDITIONAL CONTROLS ON CERTAIN AGRICULTURAL COMMODITIES;

(I) MEMORANDUM ON WORLD OILSEEDS SITUATION GIVEN TO EC COMMISSIONER LARDINOIS DURING HIS TRIP TO WASHINGTON;

(J) GATT JUSTIFICATION OF CONTROLS;

(K) USOECD REPORT;

(L) USOECD REPORT;

(M) STATEMENT OF US REP AT OECD AGRICULTURE COMMITTEE;

(N) MODIFICATION OF CONTROLS ON CERTAIN PRODUCTS;

(O) MODIFICATION OF CONTROLS ON SOYBEANS - SEPTEMBER LICENSING POLICY.

2. STATEMENT

2. STATEMENT

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US ACTIONS AND POLICY

ON JUNE 13 PRESIDENT NIXON ANNOUNCED THAT DUE TO EXTRAORDINARY HIGH DEMAND COMBINED WITH TIGHT WORLDWIDE SUPPLY, EXPORTS OF CERTAIN AGRICULTURAL COMMODITIES MIGHT BE LIMITED. PERTINENT INFORMATION WAS PROVIDED BY A NEW DEPARTMENT OF COMMERCE EXPORT REPORTING SYSTEM WHICH REQUIRED REPORTING OF ALL EXPORT SALES FOR MAJOR FOODGRAINS, FEEDGRAINS AND SOYBEANS. HAVING DETERMINED BY THIS SURVEY THAT THE U.S. FACED AN IMMEDIATE SHORTAGE CRISIS, THE DEPARTMENT OF COMMERCE ANNOUNCED ON JUNE 27 UNDER AUTHORITY OF THE EXPORT ADMINISTRATION ACT OF 1969 AN EMBARGO, EFFECTIVE IMMEDIATELY, ON SOYBEANS, COTTONSEED, AND THEIR BY-PRODUCTS.

ON JULY 2 THE DEPARTMENT OF COMMERCE REPLACED ITS JUNE 27 EMBARGO ON EXPORTS OF SOYBEANS, COTTONSEED AND THEIR RESPECTIVE MEALS, WITH A SYSTEM OF EXPORT LICENSING. EACH CONTRACT CONCLUDED ON OR BEFORE JUNE 13 FOR SOYBEAN EXPORT WOULD IN THE PERIOD BEFORE THE NEW HARVEST OF SOYBEANS BE REDUCED TO 50 PERCENT OF THE QUANTITY ORIGINALLY SCHEDULED FOR DELIVERY. EACH CONTRACT CONCLUDED ON OR BEFORE JUNE 13 FOR SOYBEAN OIL-CAKE AND MEAL WOULD

BE REDUCED TO 40 OF THE ORIGINAL QUANTITY. LICENSES FOR COTTONSEED AND COTTONSEED OIL-CAKE AND MEAL WOULD BE ISSUED FOR THE FULL QUANTITY OF THE UNSHIPED BALANCES OF THE CONTRACTS IN FORCE AS OF JUNE 13, 1973. EXPORT LICENSES FOR COTTONSEED WILL BE VALID THROUGH AUGUST 15, FOR SOYBEANS THROUGH SEPTEMBER 15, AND SOYBEAN AND COTTONSEED-OIL-CAKE AND MEAL THROUGH OCTOBER 15. NO EXPORT OF THESE ITEMS UNDER POST-JUNE 13 CONTRACTS WILL BE ISSUED DURING THIS PERIOD UNTIL FURTHER NOTICE. ON JULY 5 THE DEPARTMENT OF COMMERCE FURTHER ANNOUNCED THAT VALIDATED LICENSES WOULD BE REQUIRED FOR AN ADDITIONAL 41 AGRICULTURAL COMMODITIES WHICH ARE COMPETITIVE WITH SOYBEANS AND COTTONSEEDS, INCLUDING EDIBLE OILS, ANIMAL FATS, AND LIVESTOCK PROTEIN FEED. ON JULY 11 A PROCEDURE FOR GRANTING LICENSES IN CASES OF SPECIAL HARDSHIP WAS ANNOUNCED. THE FOLLOWING DAY COMMERCE STATED IT WOULD ALSO PERMIT EXPORT OF 100 PERCENT OF BEANS WHICH WERE GROWN UNDER CONTRACT IN THE U.S. FOR HUMAN CONSUMPTION UNCLASSIFIED

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AND COULD BE DOCUMENTED ON A FARM-TO-PORT IDENTITY PRESERVED BASIS. THE U.S. GOVERNMENT WAS ABLE TO FREE FROM EXPORT LIMITATIONS ADDITIONAL AMOUNTS OF SOYBEAN MEAL WHICH WERE ENROUTE IN THE U.S. TO PORTS FOR EXPORT ON OR BEFORE JUNE 27, 1973.

THE CURRENT U.S. ATTITUDE TOWARD EXPORT CONTROLS WAS CLEARLY STATED BY THE PRESIDENT IN HIS JULY 18 STATEMENT ON PHASE IV. IN THAT STATEMENT THE PRESIDENT SAID, "PERMANENT CONTROL OF EXPORTS IS NOT THE POLICY OF THIS GOVERNMENT...TO A CONSIDERABLE DEGREE, EXPORT CONTROLS ARE SELF-DEFEATING AS AN ANTI-INFLATION MEASURE ...UNLESS PRESENT CROP EXPECTATIONS ARE SERIOUSLY DISAPPOINTED, OR FOREIGN DEMANDS ARE EXTREMELY LARGE, EXPORT CONTROLS WILL NOT BE NEEDED."

THE U.S. APPLIED EXPORT CONTROLS RELUCTANTLY. THESE CONTROLS CONFLICT WITH OTHER NATIONAL OBJECTIVES, SUCH AS THE MOVEMENT TOWARD INCREASED LIBERALIZATION OF INTERNATIONAL TRADE AND IMPROVEMENT IN OUR BALANCE-OF-PAYMENTS SITUATION. THE ACTIONS TAKEN BY THE U.S. GOVERNMENT WERE NECESSARY TO DEAL WITH IMMEDIATELY BOTH FOREIGN AND DOMESTIC DEMAND.

WORLD PROTEIN BALANCE

THE CHANGING WORLD PROTEIN BALANCE HAS AFFECTED ALL COUNTRIES IN RECENT YEARS. DEMAND FOR OILSEEDS HAS GROWN TREMENDOUSLY IN THE LAST FIFTEEN YEARS IN RESPONSE TO THE UPGRADING OF DIETS AROUND THE WORLD. REQUIREMENTS OF TRADITIONAL WORLD IMPORTERS WILL PROBABLY CONTINUE THIS YEAR TO INCREASE AT ABOUT LAST YEAR'S RATE - 1.4 MILLION

TONS PER ANNUM. RUSSIA HAS INCREASED HER DEMAND .9 MILLION METRIC TONS, RESULTING IN AN ANTICIPATED GROWTH IN WORLD DEMAND THIS YEAR OF 2.3 MILLION METRIC TONS.

ON THE SUPPLY SIDE, TWO GRADUAL DEVELOPMENTS OUTSIDE OF THE UNITED STATES SIGNIFICANT TO MEETING THIS BULGING DEMAND HAVE BEEN THE DECLINE IN SUNFLOWER SEED AND OIL EXPORTS FROM RUSSIA AND THE DECREASED WORLD SUPPLY OF UNCLASSIFIED

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FISHMEAL AND OIL, CHIEFLY FROM PERU. RUSSIA, WHICH IN THE MID-SIXTIES EXPORTED NEARLY 900,000 METRIC TONS (OIL EQUIVALENT), NOW EXPORTS ONLY ONE-THIRD OF THAT QUANTITY. PERU, WHICH IN 1971-2 EXPORTED 2.2 MILLION METRIC TONS OF FISHMEAL, WILL ONLY EXPORT ABOUT 300,000 METRIC TONS THIS YEAR.

THE PRESENT WORLDWIDE TIGHT SITUATION FOR FEEDGRAINS AND OILSEEDS IS ALSO A CONSEQUENCE OF BAD WEATHER AFFECTING LARGE PARTS OF ASIA, AUSTRALIA, AND EASTERN EUROPE IN 1971-2. IN THE USSR TOTAL GRAIN PRODUCTION FELL AN ESTIMATED 20 MILLION METRIC TONS. IN THE FAR EAST BAD WEATHER RESULTED IN ONE OF THE LOWEST RICE CROPS IN RECENT HISTORY, PROMPTING GREATER USE OF WHEAT AND COARSE GRAINS. EXPORTS OF PEANUT MEAL FROM INDIA AND SENEGAL MAY BE DOWN ABOUT .4 MILLION METRIC TONS FROM LAST YEAR'S LEVEL. ON THE OTHER HAND, SOYBEAN EXPORTS FROM BRAZIL MAY BE UP FROM LAST YEAR AS MUCH AS .5 MILLION METRIC TONS. A SUMMARY OF THESE FIGURES INDICATES THAT THERE WILL BE A NET DECLINE IN FOREIGN EXPORT SUPPLIES OF ABOUT 2.6 MILLION METRIC TONS (SOYBEAN MEAL EQUIVALENT) FROM LAST SEASON. THE TRANSFERABILITY OF DEMAND FOR THESE SCARCE SUPPLIES TO SUBSTITUTE PROTEIN FEED AND EDIBLE OILS MADE NECESSARY THE JULY 5 IMPOSITION OF EXPORT CONTROLS ON AN ADDITIONAL 41 AGRICULTURAL COMMODITIES.

THE INCREASED IMPORT REQUIREMENTS COMBINED WITH THE RECENT DECLINE IN EXPORT SUPPLIES HAVE CAUSED STOCKS IN EXPORTING COUNTRIES TO BE DRAWN DOWN TO THEIR LOWEST LEVELS IN MANY YEARS. AS OF JUNE 30 STOCKS WERE DOWN FROM LAST YEAR ABOUT 50 FOR U.S. WHEAT AND SOYBEANS AND ABOUT 15 FOR U.S. FEEDGRAINS. COMPARED WITH ONE YEAR AGO, U.S. PRICES HAVE INCREASED SHARPLY. NO.2 YELLOW CORN HAS MORE THAN DOUBLED IN PRICE, WHEAT HAS DOUBLED AND SOYBEANS HAVE TRIPLED.

MEASURES TO INCREASE SUPPLY

TO RELIEVE THE PRESSURE ON SUPPLIERS AND PRICES THE U.S. HAS TAKEN A NUMBER OF MEASURES. U.S. FARM PROGRAMS FOR GRAINS WERE ADJUSTED SO THAT UP TO 42 MILLION ACRES UNCLASSIFIED

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OF LAND COULD BE BROUGHT BACK INTO PRODUCTION AND OF THESE
25 MILLION ADDITIONAL ACRES HAVE ACTUALLY BEEN PLANTED
THIS YEAR. ACCORDING TO
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ATHENS
BERN
BONN
BRUSSELS
CANBERRA

COPENHAGEN
DUBLIN
THE HAGUE
HELSINKI
LISBON
LONDON
LUXEMBOURG
MADRID
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ROME
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TOKYO
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